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UNIVERSITY OFFICIALS

February 19, 1999

The Honorable James S. Gilmore, III  
Governor of Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit and  
Review Commission

Dr. Eugene P. Trani, President  
Virginia Commonwealth University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Commonwealth University** as of and for the year ended June 30, 1998, and have issued our unqualified report thereon dated December 11, 1998. At the request of the President of the University, we have applied certain agreed-upon procedures, as discussed below, to the Virginia Commonwealth University Athletic Programs for the year ended June 30, 1998, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no recommendations regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate  
Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 1998, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the University's accounting records. We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets.

- b. We applied certain analytical review techniques to the revenues and expenditures of the intercollegiate athletic programs in order to determine the reasonableness of amounts reported in the Schedule.
- c. We reviewed a computer generated listing from the University's Advancement Office to identify significant contributions from any outside organization, group, foundation, or individual. We noted no individual contribution of money received directly by the intercollegiate athletic program which constituted more than 10 percent of total contributions received for intercollegiate athletics.
- d. We reviewed the University's contract with Spectacor Management Group, for rental of the Richmond Coliseum. The contract provided facilities for practices and games for the men's basketball team during the 1997-1998 basketball season. We determined that financial transactions relative to the contract were properly reported in the Schedule.
- e. We reviewed any amendments to the University's agreement for the use of the Diamond for baseball games. We determined that financial transactions relative to the agreement were properly reported in the Schedule.
- f. We reviewed the University's agreement for the use of the Arthur Ashe Center for indoor track meets and practices. We determined that financial transactions relative to the agreement were properly reported in the Schedule.

With respect to the above procedures "a" through "f", we were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the Schedule. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the President of the University.

Internal Control Structure Policies and Procedures Related to  
Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Commonwealth University is responsible for establishing and maintaining an internal control structure for its intercollegiate athletic programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings with respect to the internal control structure of the University's intercollegiate athletic programs are as follows:

- g. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment.

- h. We reviewed the internal control structure policies and procedures over cash receipts and disbursements, including payroll, for the intercollegiate athletic programs. We reviewed the relationship of specific systems of the internal control structure over intercollegiate athletic programs to the internal control structure reviewed in connection with the audit of the University's financial statements. To the extent that these systems were tested in the audit of the financial statements, we expanded our compliance tests to include transactions of the intercollegiate athletic programs. Our review also included those internal control structure policies and procedures unique to intercollegiate athletics which have not been reviewed in connection with the audit of the University's financial statements.
- i. We noted that the University does not have a separately organized booster group.

Agreed-upon procedures "g" through "i" applied to certain aspects of the University's internal control structure were more limited than would be necessary to express an opinion on the internal control structure of Virginia Commonwealth University taken as a whole. Because our study and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "g" through "i" above, we noted no material weaknesses relating to the internal control structure over the intercollegiate athletic programs administered by the University.

This report is intended solely for the use of the University and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

PBB:aom  
aom:45

VIRGINIA COMMONWEALTH UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENDITURES OF  
INTERCOLLEGIATE ATHLETIC PROGRAMS  
For the Fiscal Year Ended June 30, 1998

	Non-Program Specific	Men's Basketball	Men's Baseball	Women's Basketball	Other Sports*	Total
Operating revenue:						
University fee allocation	\$ 4,530,209	\$ -	\$ -	\$ -	\$ -	\$ 4,530,209
Conference and NCAA revenue sharing	159,828	-	-	-	-	159,828
Ticket sales	37,331	334,828	9,971	5,347	-	387,477
Contributions	70,626	-	12,408	5,873	1,302	90,209
Advertising, radio and television rights	243,682	-	500	-	-	244,182
Other	28,453	70,009	4,826	-	-	103,288
Total operating revenue	5,070,129	404,837	27,705	11,220	1,302	5,515,193
Operating expenditures:						
Coaches and faculty salaries and fringe benefits	691,213	331,452	292,479	201,334	192,292	1,708,770
Other salaries and wages	503,926	55,776	46,438	3,705	29,249	639,094
Financial aid	36,195	177,863	524,312	219,086	399,199	1,356,655
Travel, administrative and team	191,268	181,842	128,188	70,488	79,168	650,954
Contractual services	483,944	31,934	20,643	20,187	12,331	569,039
Supplies, materials, and equipment	21,718	17,063	54,220	12,786	34,740	140,527
General administrative expenses	342,769	91,909	82,490	37,435	67,088	621,691
Current charges and obligations	257,997	5,561	1,334	2,791	6,279	273,962
Miscellaneous	25,615	-	-	-	-	25,615
Less: reimbursement for E&G program support	(203,732)	-	-	-	-	(203,732)
Total operating expenditures	2,350,913	893,400	1,150,104	567,812	820,346	5,782,575
Excess/(deficiency) of revenues over/(under) operating expenditures before transfers	2,719,216	(488,563)	(1,122,399)	(556,592)	(819,044)	(267,382)
Nonmandatory transfers in	30,393	87,905	506	2,350	2,078	123,232
Net increase/(decrease) for the year	\$ 2,749,609	\$ (400,658)	\$ (1,121,893)	\$ (554,242)	\$ (816,966)	(144,150)
Fund balance (deficit) at beginning of year						(10,260)
Fund balance (deficit) at end of year						\$ (154,410)

VIRGINIA COMMONWEALTH UNIVERSITY

NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF  
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 1998

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current fund revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 1998. The amount of expenditures incurred by organizations outside the control of the University on behalf of the University's intercollegiate athletic programs are not included in either revenues or expenditures on the accompanying Schedule. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures, transfers, and other deductions for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific".

NOTE 2 - ENDOWMENT

The Athletics Department has two quasi-endowments established for the benefit of the Department. The recorded value of one of the endowments totaled \$62,659 at June 30, 1998 and \$103,460 at June 30, 1997. The second endowment was established as a result of the settlement when the University ended its affiliation with the Metro Conference. The recorded value of this endowment totaled \$1,239,258 at June 30, 1998 and \$1,172,252 at June 30, 1997. The University has entrusted all endowment funds to the VCU Foundation, an affiliated organization, for investment in the Foundation's investment pool. Funds transferred to the VCU Foundation are subject to the investment policies of the Foundation. The Foundation offers no guarantees relating to loss of investment value or rate of return on investments. Further, amounts transferred to the Foundation must remain with the Foundation unless the University Board of Visitors approves the use of these invested funds for specific University purposes.

VIRGINIA COMMONWEALTH UNIVERSITY  
Richmond, Virginia

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